# BOARD OF DIRECTORS

**(As at June 30, 1984)**

Honourable Paul Schoenhals, Chairman
Minister of Energy and Mines

Secretary to the Board
Ian D. Disbery
Crown Investments Corporation
Crown Management Board

# MANAGEMENT

Gerald A. Telfer
General Manager

Wayne E. Randall
Operation Manager

R. Wayne Phillips
Administration Manager

# LETTER OF TRANSMITTAL

Watrous, Saskatchewan,
November 30, 1984.

To His Honour,
The Honourable Fredrick W. Johnson,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the Report of the Saskatchewan Water Supply Board for the period ended June 30, 1984, including the Financial Statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Water Supply Board Act.

I have the honour to be, Sir,

Your obedient servant,

Paul Schoenhals

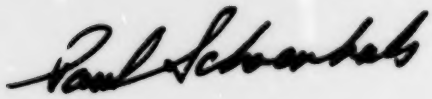
Paul Schoenhals,
Minister Responsible,
Saskatchewan Water Supply Board.

## CHAIRMAN'S REMARKS

The following report of the Saskatchewan Water Supply Board contains the Financial Statements to June 30, 1984, after which the Board became part of the Saskatchewan Water Corporation.

In recent years the Board strengthened its financial status as steps were taken to resolve problems that resulted in earlier operating deficits. This resulted in the Board achieving a stable financial position.

On behalf of the Board of Directors, I would like to thank the employees for their dedication and commitment shown to the Corporation. I would also like to express my appreciation to the management of the Corporation for their tireless efforts on behalf of the Saskatchewan Water Supply Board.



Paul Schoenhals,
Chairman of the Board

## STAFF

Ellen B. Campbell

Mart R. Cram

Gary F. Ecklund

John C. Fenty

Dennis R. Frey

Marie C. Garratt

Diane L. Henryk

Rodney D. Kennard

Roberta L. McLean

Brian D. McPhee

Gary T. Sears

Norman R. Wig

# THE CORPORATION

The Saskatchewan Water Supply Board was established by an Order-in-Council on January 25, 1966 pursuant to amendment to The Saskatchewan Water Resources Commission Act. The Board was continued under separate legislation (The Saskatchewan Water Supply Board Act) in 1972 when The Saskatchewan Water Resources Commission Act was repealed and the Department of the Environment established.

On July 1, 1984 an Act proclaiming the Saskatchewan Water Corporation came into force and The Saskatchewan Water Supply Board Act was repealed. The Saskatchewan Water Supply Board property and personnel were transferred to the Saskatchewan Water Corporation effective July 1, 1984.

Essentially a regional water utility, the Board, with its head office in Watrous, Saskatchewan, was responsible for developing and operating multi-purpose water supply projects authorized by the Lieutenant-Governor in Council to service municipal, agricultural, industrial, recreational and wildlife conservation requirements in designated areas.

The Board's works were organized into three distinct systems and will continue to operate as the Water Supply Utility of the Saskatchewan Water Corporation. The largest system is the Saskatoon-Southeast Water Supply System, a network of reservoirs, canals and pipelines constructed to distribute water from Lake Diefenbaker. The Saskatoon-Treated Water Supply System, which uses the City of Saskatoon's treated water system as a source of supply, distributes treated water via pipeline to domestic, municipal and industrial users in the surrounding region. In the same manner, the Saskatoon-West Water Supply System, using the South Saskatchewan River as a source, supplies untreated water to various domestic, municipal and industrial users in the Saskatoon area. In total, the Board's three systems consist of 85 miles of canal, 5 reservoirs and 130 miles of pipeline.

# OPERATIONS REVIEW

The Board's pipeline customers have been provided with a total diversion of 17.9 billion gallons since its initial operation began in 1966. At the date of this report the Board provided water service to 14 major industrial customers, 14 municipal customers with a combined residence population in the order of 12,000 persons, and 146 individual domestic and farm holdings. The breakdown of pipeline customers is shown on the following table.

PIPELINE CUSTOMERS

| SYSTEM | INDUSTRIAL | MUNICIPAL | OTHER* |
|---|---|---|---|
| Saskatoon-Southeast | PCS-Allan Division<br>PCS-Lanigan Division<br>Central Canada Potash | Shields Hanley<br>Thode Guernsey<br>Lanigan Viscount | 21 |
| Saskatoon-West | Cominco<br>PCS-Cory Division<br>Saskatoon Golf & Country Club<br>Petrill Golf<br>Cedar Villa Estates | Vanscoy | 75 |
| Saskatoon-Treated | PCS-Cory Division<br>United Chemicals<br>Johanna Mitchell Holdings Ltd.<br>Royal View Cattle Ltd.<br>Armak Chemicals<br>Saskatoon Chemicals | Allan Warman<br>Bradwell Osler<br>Clavet Dalmeny<br>Martensville | 50 |

*Other includes farm holdings and approved domestic installations

The Board's surface water customers were the Department of Agriculture and the Department of Parks and Renewable Resources.

Diversions to the Department of Agriculture were for the development of individual irrigation projects. The surface water system was developed to accommodate diversions for irrigation amounting to 32,800 acre-feet of water. To date some 50 projects have been developed comprising some 16,000 acres and utilizing approximately 67% of the water allocated.

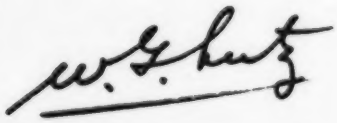
Diversions to the Department of Parks and Renewable Resources were made for recreation purposes and for the service of 13 waterfowl breeding projects. The surface water system was developed to accommodate diversions amounting to 13,200 acre-feet.

# AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Water Supply Board as at June 30, 1984 and the statements of operations and retained earnings and changes in financial position for the six month period ended June 30, 1984. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Water Supply Board as at June 30, 1984 and the results of its operations and the changes in its financial position for the six month period ended June 30, 1984 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
October 18, 1984.

W.G. Lutz, F.C.A.,
Provincial Auditor.

# STATEMENT OF FINANCIAL POSITION

| | As At June 30, 1984 | As At December 31, 1983 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash and short-term investments | $ 61,296 | $ 1,319,618 |
| Accounts receivable | 673,804 | 240,947 |
| Prepaid expenses and supplies | 60,071 | 41,454 |
| | 795,171 | 1,602,019 |
| **PROPERTY, PLANT AND EQUIPMENT (NOTES 2 & 3)** | 11,640,957 | 11,758,423 |
| | $12,436,128 | $13,360,442 |
| **LIABILITIES AND RETAINED EARNINGS** | | |
| **CURRENT** | | |
| Accounts payable and accrued liabilities | $ 209,657 | $ 363,975 |
| Accrued interest | 278,863 | 390,810 |
| Dividend payable | — | 724,543 |
| Unearned revenue | 70,194 | — |
| Note payable to Crown Investments Corporation of Saskatchewan | 100,000 | — |
| | 658,714 | 1,479,328 |
| **DEFERRED REVENUE (NOTE 2(d))** | 916,282 | 706,069 |
| **LONG-TERM DEBT (NOTE 5)** | 8,211,755 | 8,718,616 |
| **ADVANCE FROM CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (NOTE 6)** | 700,000 | 700,000 |
| **RETAINED EARNINGS** | 1,949,377 | 1,756,429 |
| | $12,436,128 | $13,360,442 |

(See accompanying notes)

# STATEMENT OF OPERATIONS AND RETAINED EARNINGS

| | For The Six Month Period Ended June 30, 1984 | For The Year Ended December 31, 1983 |
|---|---|---|
| **REVENUE** | | |
| Operations (Note 9) | $1,508,507 | $2,944,785 |
| Gain on sale of water facilities | — | 123,731 |
| Other | 53,265 | 97,370 |
| | 1,561,772 | 3,165,886 |
| **EXPENSES** | | |
| Distribution | 699,558 | 1,310,107 |
| Interest (Note 7) | 100,519 | 126,596 |
| Depreciation | 194,073 | 377,163 |
| Administration | 208,938 | 320,740 |
| | 1,203,088 | 2,134,606 |
| **NET EARNINGS BEFORE WATER MANAGEMENT STUDY** | 358,684 | 1,031,280 |
| **WATER MANAGEMENT STUDY (NOTE 4)** | 165,736 | 306,737 |
| **NET EARNINGS** | 192,948 | 724,543 |
| **RETAINED EARNINGS AT BEGINNING OF PERIOD** | 1,756,429 | 1,756,429 |
| | 1,949,377 | 2,480,972 |
| **DIVIDEND TO CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN** | — | (724,543) |
| **RETAINED EARNINGS AT END OF PERIOD** | $1,949,377 | $1,756,429 |

(See accompanying notes)

# STATEMENT OF CHANGES IN FINANCIAL POSITION

| | For the Six Month Period Ended June 30, 1984 | For The Year Ended December 31, 1983 |
|---|---|---|
| **SOURCES OF WORKING CAPITAL** | | |
| Operations: | | |
| Net earnings | $ 192,948 | $ 724,543 |
| Charges and credits to earnings not affecting working capital: | | |
| - depreciation | 194,073 | 377,163 |
| - sinking fund earnings | (506,862) | (1,007,766) |
| - gain on sale of water facilities | — | (123,731) |
| - other | (37,936) | (62,043) |
| | (157,777) | (91,834) |
| Proceeds of long-term debt | — | 2,000,000 |
| Proceeds on disposal of water facilities | — | 260,906 |
| Customer revenue prepayments (Note 2(d)) | 247,494 | 47,000 |
| | 89,717 | 2,216,072 |
| **APPLICATION OF WORKING CAPITAL** | | |
| Capital expenditures | 75,951 | 559,232 |
| Sinking fund instalment due currently (Note 5) | — | (226,425) |
| Dividend payable to Crown Investments Corporation of Saskatchewan | — | 724,543 |
| | 75,951 | 1,057,350 |
| Increase in working capital | 13,766 | 1,158,722 |
| Working capital (deficiency) at beginning of period | 122,691 | (1,036,031) |
| Working capital at end of period | $ 136,457 | $ 122,691 |

(See accompanying notes)

# NOTES TO FINANCIAL STATEMENTS

**June 30, 1984**

## 1. Status of the Board

The Saskatchewan Water Supply Board was incorporated in 1966 under The Crown Corporations Act and was continued in 1972 under The Water Supply Board Act. Under the terms of its Act, the Board was responsible for developing and operating multi-purpose water supply projects authorized by the Lieutenant Governor in Council to service municipal, agricultural, industrial, recreational, wildlife and domestic requirements in designated areas. The Board had been designated by Order-in-Council as a Corporation to which the provisions of Part II of The Crown Corporations Act, 1978 applied. Accordingly, the financial results of the Board are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

Effective July 1, 1984 The Water Supply Board Act was repealed (see Note 11).

## 2. Accounting Policies

**(a) Property, Plant and Equipment**

These assets are recorded at cost. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the gain or loss is reflected in income for the year.

**(b) Depreciation**

In 1984, one-half year's depreciation figures were used. The various classes of assets are depreciated and charged to operating expenses as follows:

| CLASS | RATE | BASIS |
|---|---|---|
| Office Equipment | 10% | Straight Line |
| Maintenance Equipment | | |
| Vehicles and Mobile | 30% | Diminishing Balance |
| Major Mobile | 15% | Diminishing Balance |
| Other | 10% | Straight Line |
| Buildings | | |
| Frame Structures | 5% | Straight Line |
| Masonry Structures | 2½% | Straight Line |
| Water Facilities | | |
| Canals | 2% | Straight Line |
| Reservoirs | 2% | Straight Line |
| Pipelines | | |
| — Steel | 2½% | Straight Line |
| — Asbestos Cement | 2½% | Straight Line |
| — Cast Iron | 4% | Straight Line |
| — Polyvinyl Chloride | 5% | Straight Line |
| Pump Stations | | |
| —Structure | 2½% | Straight Line |
| — Pump Equipment | 5% | Straight Line |
| — Motors and Engines | 10% | Straight Line |

**(c) Capitalization of Expenses**

**(i) Interest Expense**

Interest on loans for construction projects is capitalized during the construction period at the average annual rate of borrowing.

**(ii) Internal Services**

Internally provided engineering and land services are capitalized at a rate of ten percent of the total of direct project construction costs provided that such costs for an individual project are less than $1,000,000. The object of this policy is to recognize the approximate value of design, supervisior and administration services rendered by Board employees on construction projects.

For projects with estimated total direct construction costs of greater than $1,000,000 the actual costs of internally provided engineering and land services are accumulated and capitalized.

**(d) Amortization of Deferred Revenue**

Deferred revenue represents revenue prepayments which are required in some cases from customers at the commencement of supply under the Board's standard pricing structure. Customer revenue pre-payments are amortized into operating revenue at 5 percent per annum straight line. In 1984, one-half year's amortization was taken. Amortization credited to revenue in 1984 totalled $37,280 (1983-$62,186).

## 3. Property, Plant and Equipment

| | As At June 30, 1984 | | | As At December 31, 1983 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net Book Value | Net Book Value |
| Office Equipment | $ 77,450 | $ 30,406 | $ 47,044 | $ 14,176 |
| Maintenance Equipment | 292,876 | 197,859 | 95,017 | 83,566 |
| Buildings | 722,936 | 163,768 | 559,168 | 568,968 |
| Water Facilities | 14,190,108 | 4,593,516 | 9,596,592 | 9,752,999 |
| Under Construction — Water Facilities | 25,412 | — | 25,412 | 20,990 |
| Land | 1,317,724 | — | 1,317,724 | 1,317,724 |
| | $16,626,506 | $4,985,549 | $11,640,957 | $11,758,423 |

## 4. Water Management Study

In 1983 the Saskatchewan Water Supply Board undertook a study to provide recommendations to consolidate and clarify complete water resources management for the Province. The terms of reference for the study included providing recommendations concerning the means by which the existing developmental and operational functions for water supply and waste treatment can be consolidated and clarified and the means by which the above functions can be effectively administered. The project costs for 1984 were $165,736 (1983 - $306,737).

## 5. Long-Term Debt

Loans consist of the following:

| Year Received | Year Payable | Interest Rates | Debt Recorded | Equity In Sinking Fund |
|---|---|---|---|---|
| 1967 | 1987 | 5.945% | $ 5,932,000 | $4,328,508 |
| 1968 | 1988 | 6.585% | 6,133,000 | 4,205,632 |
| 1969 | 1989 | 7.485% | 1,124,000 | 652,599 |
| 1971 | 1991 | 6.930% | 657,000 | 257,346 |
| 1977 | 1997 | 8.880% | 1,030,000 | 120,160 |
| 1980 | 2000 | 12.000% | 900,000 | — |
| 1983 | 1988 | 10.750% | 2,000,000 | — |
| | | | $17,776,000 | $9,564,245 |
| Long-term debt - net of sinking fund | | | | $8,211,755 |

All loans with the exception of the loans received in 1980 and 1983 from the Crown Investments Corporation of Saskatchewan are payable to the Consolidated Fund of the Province. Repayment terms for these loans are established by the Government of Saskatchewan. Up to December 31, 1982, loans received in 1967, 1968, 1969 and 1977 were subject to annual sinking fund instalments equal to one and one-half percent of the recorded liability and the loan received in 1971 was subject to an annual sinking fund instalment equal to two percent of the recorded liability. In 1983 it was determined that in total the sinking fund had sufficient equity to retire all debt at maturity and, therefore, under the authority of Order-in-Council number 1616/83 this requirement was cancelled effective January 1, 1983. All loans received in 1967, 1968, 1969, 1971 and 1977 are subject to repayment upon six months notice.

Equity in the sinking fund is represented by the accumulated amount of sinking fund instalments made to June 30, 1984 together with the accumulated earnings on the investments included in the fund. Investment transactions of the sinking fund are initially recorded at cost. Premiums and discounts on the purchase of bonds and debentures are amortized to earnings over the term of the security. Gains or losses on the disposal of securities are included in earnings in the year the security is sold. The sinking fund is managed by the Investment and Financial Services Branch of the Department of Finance.

## 6. Advance From Crown Investments Corporation of Saskatchewan

The advance from the Crown Investments Corporation of Saskatchewan to the Board is interest free and repayable at the discretion of the Corporation.

# NOTES TO FINANCIAL STATEMENTS

**June 30, 1984**

## 7. Interest Expense

Interest expense is as follows:

| | For The Six Month Period Ended June 30, 1984 | For The Year Ended December 31, 1983 |
|---|---|---|
| Total interest expense | $650,972 | $1,152,883 |
| Less: Interest earned: | | |
| Sinking fund | 506,862 | 1,007,766 |
| Short-term | 43,591 | 18,521 |
| | 550,453 | 1,026,287 |
| Net interest expense | $100,519 | $ 126,596 |

## 8. Remuneration of Directors and Senior Officers

The Corporation's directors received no remuneration from the Saskatchewan Water Supply Board as directors in either 1984 or 1983. The three senior officers (1983 - three) received in aggregate $79,710 in salaries to June 30, 1984 (1983 - $157,531).

## 9. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms with the following exceptions.

The Board has entered into contracts with two government departments. The contracts provide that billings be prepared substantially on the basis of a predetermined share of the Board's fixed capital and operating costs rather than solely on the basis of a unit charge for water consumption. The contracts further state that payments by the departments are subject to appropriation of the necessary funds in each fiscal year. Revenue earned from these contracts in the current year to June 30, 1984 totalled $316,618 (1983 - $777,294).

Loan obligations due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

## 10. Commitments

As at June 30, 1984, the Board was committed to construction on the 'Saskatoon-North Treated System' in an amount of $325,000.

## 11. Dissolution of the Corporation

Effective July 1, 1984 under the authority of The Water Corporation Act, The Water Supply Board Act was repealed and the Saskatchewan Water Corporation was established. Under the authority of subsections 75(1) and 76(3) of The Water Corporation Act all assets, liabilities and obligations of the Board existing on June 30, 1984 were transferred to the newly created corporation.

POOR

QUALITY

ORIGINAL